

Message Text

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PAGE 01 CAIRO 00871 171415Z
ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03
NSAE-00 NSC-05 PA-02 PRS-01 SP-02 SS-15 USIA-15 EB-07
COME-00 TRSE-00 AID-05 IGA-02 OMB-01 /082 W
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R 171126Z JAN 77
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 670

UNCLAS CAIRO 0871

E.O. 11652: NA
TAGS: EFIN, EG
SUBJ: PEOPLES ASSEMBLY CONSIDERS BUDGET AND FINANCIAL QUESTIONS - AND
IMF REFORMS

REF: CAIRO 767

1. CAIRO PRESS NOTES THAT PEOPLES ASSEMBLY BEGINS CONSIDERATION
OF 1977 GOE BUDGET AND OTHER FINANCIAL MATTERS JANUARY 17
(SEE REFTEL). FOLLOWING ARE LISTED AS PRINCIPAL POINTS TO
BE ADDRESSED UNDER NEW BUDGET:

- A. ELIMINATE BALANCE OF PAYMENTS DEFICIT DURING 3-YEAR PERIOD,
- B. REDUCE PUBLIC SECTOR SPENDING BY 20 PERCENT,
- C. DECREASE SUBSIDIES ON CERTAIN NON-ESSENTIAL PRODUCTS,
- D. RAISE GOVERNMENT AND PUBLIC SECTOR SALARIES,
- E. SET VALUATION OF EXPORT AND IMPORT PRICES AT PARALLEL
RATE, WITH EXCEPTION OF CERTAIN ITEMS SUCH AS WHEAT, SUGAR
AND PETROLEUM PRODUCTS,
- F. ENCOURAGE LOCAL SAVING BY RAISING INTEREST RATES AND
EXCLUDING TAXES ON INTEREST INCOME.

2. PRESS COMMENTS FURTHER THAT PEOPLES ASSEMBLY THIS WEEK
WILL HOLD DEBATES ON SOME 12 OTHER FINANCIAL BILLS.
MINFIN HAMED REPORTEDLY WILL INTRODUCE, INTER ALIA,
LEGISLATION CONCERNING INCOME TAX EXEMPTION FOR LOWER
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INCOME GROUPS (UP TO LE 500 EARNINGS PER YEAR) AND AMENDMENTS TO
INVESTMENT LAW. (COMMENT: TEXT OF PROPOSED AMENDMENTS
TO LAW 43 FOLLOWS SEPTTEL).

3. ACTION OF GOE'S MINFIN HAMED IN INITIATING LEGISLATIVE
CONSIDERATION OF BUDGET AND RELATED QUESTIONS FOLLOWS
ANNOUNCEMENT JANUARY 16 THAT PRESIDENT SADAT HAS APPROVED

CIVIL SERVICE, PUBLIC SECTOR AND RETIREMENT PAYMENTS.
INCREASE IN WAGE BILL REPORTEDLY WILL BE LE 200 MILLION
IN 1977 AND RETIREMENT INCOME WILL RISE BY TEN PERCENT.

4. COMMENT. IN CHANCE ENCOUNTER AT AIRPORT JAN 16 ON HIS RETURN FROM
LEAVE, ECONCOUN WAS TOLD BY DICKIE OF IMF THAT GOE (KAISOUNI)
HAD SENT TELEGRAM TO IMF ACCEPTING FUND'S PROPOSALS AND REQUESTING
FURTHER MEETINGS
TO DISCUSS MATTER. DICKIE SAID DECISIONS WOULD BE REFLECTED IN
BUDGET, SEE PARA ONE ABOVE, AND THAT EGYPTIAN DECISION TO GO FOR
FULL EXTENDED FACILITY IS NOW CONTINGENT ONLY UPON AGREEMENT OVER
PERIOD OF TIME DURING WHICH IMPACT ON PRICES WOULD TAKE PLACE.
GUNTER ARRIVES JAN 19 TO PURSUE THIS SUBJECT.
MATTHEWS

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NNN

Message Attributes

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